

OUTGOING MESSAGE

COMINT

Approved For Release 2000/09/14 : CIA-RDP78S01932A000100200063-7

SIGNAL CENTER USE ONLY

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CHANN
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CLASSIFICATION

~~SECRET NFO/NDA/CD~~

MESSAGE HANDLING INDICATOR

DATE-TIME GROUP

CITE

MESSAGE REFERENCE NUMBER

CIA/UHSS

SOURCE REF:

SENSITIVE

ROUTING	1	4	7	10
	2	5	8	11
	3	6	9	12

TO: IMMEDIATE WHITE HOUSE//SITUATION ROOM FOR [REDACTED] 25X1A

WARNING NOTICE SENSITIVE INTELLIGENCE SOURCES AND METHODS

INVOLVED

ITEM NO: 8II-6

DATE: 23 JAN 74

SUBJECT: USSR STIFFENS TERMS FOR AID TO EGYPT

REF :

~~SECRET NFO/NDA/CD~~ 25X1ATHE SOVIETS HAVE REPORTEDLY REFUSED TO FURTHER DEFER EGYPTIAN
MILITARY DEBT REPAYMENT OR TO EXTEND NEW MILITARY CREDITS. THIS

25X1A

[REDACTED] THE USSR WAS RELUCTANT TO EXTEND NEW CREDIT DURING

25X1A THE OCTOBER WAR AND ATTEMPTED, THEN, TO EXACT SOME REPAYMENT OF
OLD DEBTS. SUCH A MOVE NOW WOULD BE A LOGICAL OUTGROWTH OF
EGYPT'S IMPROVED FINANCIAL POSITION. THEIR PAST POOR REPAYMENT
PERFORMANCE, AND THEIR COOL ATTITUDE TOWARD THE SOVIETS.4 THERE IS CONSIDERABLE EVIDENCE THAT THE EGYPTIANS ASSIGN
EVERY LOW PRIORITY TO REPAYMENT OF THEIR MILITARY DEBTS TO THE
USSR. DURING THE INTERWAR PERIOD THEY REPAYED SOVIET ECONOMIC
DEVELOPMENT LOANS REGULARLY, AND SPORADICALLY MET REPAYMENT

DATE:

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OBLIGATIONS IN THE WEST. THERE IS NO EVIDENCE, HOWEVER, THAT ANY OF THE MILITARY DEBT ACCUMULATED IN CONNECTION WITH THE 1967 WAR WAS REPAYED. DEBT NEGOTIATIONS UNDERTAKEN IN 1970 ARE BELIEVED TO HAVE DELAYED TO 1974 MILITARY REPAYMENTS ON SOME \$1 BILLION OF MILITARY DEBT INCURRED AFTER 1964.

IN 1972 EGYPT SHARPLY REDUCED THE QUANTITIES OF COTTON AND OTHER GOODS SUPPLIED AGAINST THE SOVIET ACCOUNT, INCREASING THEIR CURRENT DEFICIT AND FURTHER POSTPONING THE DATE WHEN A SURPLUS WOULD BE AVAILABLE FOR MILITARY DEBT REPAYMENT. 25X1X

SOVIET OFFICIALS

WERE COMPLAINING IN MID-DECEMBER 1973 THAT EGYPT HAD SUPPLIED NO MORE THAN ONE-THIRD OF THE GOODS SCHEDULED FOR SHIPMENT TO THE USSR IN 1973. THE MISSING GOODS EVIDENTLY HAVE BEEN DIVERTED TO THE WEST, AN ACTION DIFFICULT TO JUSTIFY EVEN DURING THE IMMEDIATE PRE-WAR PERIOD WHEN EGYPT WAS EXPERIENCING EXCEPTIONALLY RESTRICTED CIRCUMSTANCES. NOW, WITH EGYPT'S FINANCES BOLSTERED BY ARAB AID AND ITS ECONOMIC PROSPECTS GREATLY ENHANCED BY PROGRESS TOWARDS PEACE, ANY ATTEMPT TO AVOID MEETING FINANCIAL

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OBLIGATIONS TO THE USSR SUGGESTS DELIBERATE BAD FAITH. ACCORDING
 TO ONE REPORT [REDACTED] 25X1X
 HAS VOICED THE FEAR THAT THE USSR WILL BE COMPLETELY "KICKED OUT" IF A FINAL
 SETTLEMENT OCCURS.

UNDER THE CIRCUMSTANCES, THE SOVIET UNION WOULD PROBABLY
 EXPECT TO OBTAIN HARD CURRENCY FOR HEAVILY ORDERED ARMS. SOME OF
 THE MILITARY GOODS ORDERED FROM THE USSR DURING THE OCTOBER WAR
 WERE PAID FOR IN CASH BY OTHER ARABS. E-2 IMPDET-A

ESPECIAL DISTRIBUTION: EUR/MEA DIV AND HQ [REDACTED]

25X1A

4
3
2
1

DATE: 22 JAN 78 25X1A
 ORIG: [REDACTED] 25X1A
 UNIT: STA OPERATIONS CTR
 EXT: 0360

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CL BY: [REDACTED]